

**MINUTES OF THE
COMMERCE & REVENUE APPROPRIATIONS SUBCOMMITTEE
ROOM 414, STATE CAPITOL BUILDING
Wednesday, January 24, 2001**

MEMBERS PRESENT: Sen. Scott Jenkins, Co-Chair
 Rep. Bryan D. Holladay, Co-Chair
 Sen. Dan Eastman
 Sen. Ed Mayne
 Rep. Eli Anderson
 Rep. Chad Bennion
 Rep. Cindy Beshear
 Rep. David Cox
 Rep. Peggy Wallace

STAFF PRESENT: Bill Greer, Fiscal Analyst
 Jonathan C. Ball, Fiscal Analyst
 Marilyn Reed, Committee Secretary

VISITORS LIST: Attached to and made a part of these minutes.

Sen. Jenkins called the meeting to order at 2:08 p.m.

Fiscal Analyst, Bill Greer, handed out and reviewed a revised schedule change of committee meetings. The Applied Technology centers and Applied Technology service regions were added to the schedule on February 5, 2001.

Rep. Holladay moved to approve the minutes of January 22, 2001. The motion passed unanimously with Sen. Eastman and Rep. Cox absent for the vote.

Alcohol and Beverage Control Budget Presentation:

Kenneth Wynn, Director of Alcoholic Beverage Control, Richard Pearson, Administrative Services Manager, and Dennis Kellen, Operations Manager, represented the agency.

Analyst Greer handed out a memo from the agency regarding the warehouse equipment and the distribution of the requested FTEs. Rep. Cox asked if it would be cheaper to fund the FTEs rather than pay the overtime. Analyst Greer answered there was no definitive answer, that it was a matter of how the funds and FTE were managed.

Analyst Greer reviewed the base budget recommendation and the related funding issues that need to be put on a priority list to be recommend to the Executive Appropriations Committee. He informed the committee that a compensation package and market comparability adjustments are not addressed in this budget or any of the budgets.

The Analyst discussed budget considerations as follows:

1. Base budget - \$14,626, 200
2. Additional sales clerks - 6 FTE - \$152,000

3. Package Agency caseload adjustment - \$83, 900
4. Package Agency funding adjustment - \$112,000 - 10 percent "cost of living" adjustment (Rep. Styler's H.B. has a fiscal note of \$129, 200, which is a 11½ percent "cost of living" adjustment.)
5. Warehouse equipment - \$86,000 (one time)
6. Fire suppressant system - \$20,000
7. Electronic commerce initiative - \$230,000 (one time, follow up from last year, will finalize this phase of the project.)

Ken Wynn responded that if Rep Styler's bill passes, he asked the committee to approve the Analyst's recommendation of \$112,000 and put in intent language that the package agency get 4% of the \$112,000 and the agency gets the rest to buy equipment. Analyst Greer responded that he felt there is not enough funding for both the package agency recommendation and Rep. Styler's bill.

Sen. Jenkins questioned if a cheaper floor scrubber could be purchased.

A discussion ensued as to whether the package agencies were being double funded with the Analyst's recommendation and Rep. Styler's bill. Analyst Greer responded intent language could be inserted that would direct the higher amount be funded. Rep. Anderson responded that Rep. Styler's bill was intended as catch-up and was not tied to the amount from this committee. Director Wynn stated that his budget includes a 4% increase for package agencies which is a part of the recommended 10% increase. If Rep. Styler's bill passes, a 4% increase is still recommended for the package agencies.

Rep. Anderson asked what a package agency cost? Answer: Highest Type 3 agency receives \$6,219 a month, the lowest is \$1622 a month.

Sen. Jenkins asked how much floor space a Type 3 agency requires. Answer: 800 sq. ft. on average.

MOTION: Rep. Holladay moved to approve the Analyst base budget of \$14,626,200 and that the other items be added to a priority list. The motion passed unanimously with Sen. Eastman absent for the vote.

MOTION: Rep. Wallace moved to approve 6 FTEs and tie 5 additional FTEs (\$135,000) to the bonding for the building of the south valley store. The motion passed unanimously with Sen. Eastman absent for the vote.

Rep. Holladay asked what a new floor scrubber cost. Answer: \$30,000.

MOTION: Rep. Anderson moved to add \$30,000 to the proposed \$86,000 to include the floor scrubber for a total of \$116,000. The motion passed with Sen. Jenkins voting in opposition and Sen. Eastman absent for the vote.

MOTION: Rep. Anderson moved to approve warehouse equipment for \$116,000. The motion passed with Sen. Jenkins voting in opposition and Sen. Eastman absent for the vote.

MOTION: Rep. Bennion moved to approve \$20,000 for fire suppressant system. The motion passed unanimously with Sen. Eastman absent for the vote.

Rep. Beshear declared a conflict of interest.

MOTION: Rep. Holladay moved to approve the Analyst's recommendation of \$83,900 for package agency caseload increase. The motion passed unanimously with Sen. Eastman absent for the vote.

MOTION: Sen. Mayne moved to approve \$112,000 with intent language that the higher amount of the committee or the legislation be funded. The motion passed unanimously with Sen. Eastman absent for the vote.

MOTION: Rep. Holladay moved to approve the Analyst's request for funding of \$230,000 for the electronic commerce initiative, but do it under the criteria shown, that is only if funds become available and after other requests are funded. This will be given a lesser priority. The motion passed unanimously with Sen. Eastman absent for the vote.

Tax Commission Budget Presentation:

Executive Director Rod Marrelli and Budget & Finance Officer Julie Alsop represented the Tax Commission.

Fiscal Analyst Jonathan Ball presented and overview of the tax commission budget issues:

1. Base budget - \$60,405,800 (\$23,498,700 GF/\$16,273,300 USF)
2. Tax system modernization
 - Multi-year upgrade to systems and processes
 - Computer assisted collection system for Government (CACS-G) analyst recommendation: \$134,500 GF/\$134,500 USF to Technology Management Division for ITS charges. \$14,800 GF/\$14,800 USF to Processing Division for certified mail costs.
 - Recommended intent language
 - \$200,000 transferred from other divisions to cover implementation costs in FY2001 of Motor Vehicle Administration
 - \$1.5 million in non-lapsing balances to upgrade personal income, corporate income, sales and other tax systems
3. Compliance augmentation
 - Bases resources (including but not limited to those transferred to MVA) be used to purchase software for State tax audit and compliance system
 - Treasury offset program be placed on funding priorities list - \$29,300
4. Ongoing cost of operation

- Postal rate increase - \$39,000 - Tax use base resources to address need
 - Motor Vehicle office rents - \$75,700 GF be placed on funding priorities list
 - Recommends intent language
5. Sales tax simplification
- Utah losing estimated \$24 million a year in sales tax on on-line transactions.
 - Complicated tax system makes merchant collection overly burdensome
 - Enforcement nearly impossible

Mr. Marrelli asked to continue non-lapsing fund authority and questioned Analyst's recommendation on the mail funding.

Sen. Mayne asked for a clarification between the Governor's and Fiscal Analysts' recommendations.
Analyst Ball answered:

1. The Governor recommends \$70,000 for tax compliance / analyst does not
2. The Governor recommends \$39,000 for postal rate increases/ analyst does not
3. A small difference in CACS-G of \$3,000
4. The Governor recommends a \$515,000 overall increase / analyst recommends a \$403,00 overall increase should additional funds become available

Sen. Jenkins asked for information on the internet sales tax issue. Bruce Johnson, Tax Commission, gave the committee and update on the amount of money that is lost from internet sales tax and interstate commerce.

Scott Green, Governor's Office, and Mary Lou Emerson, DUI Council asked that liquor profit distribution be increased to \$4.3 million

MOTION: Rep. Anderson moved to adjourn the meeting. The motion passed unanimously with Sens. Eastman and Mayne, and Rep. Bennion absent for the vote.

Sen. Jenkins adjourned the meeting at 4:10 p.m.

Sen. Scott Jenkins, Co-Chair

Rep. Bryan D. Holladay, Co-Chair

Commerce & Revenue Appropriations Subcommittee
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